TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

FISCAL MEMORANDUM

HB 2005 – SB 2213

April 4, 2014

SUMMARY OF ORIGINAL BILL: Creates the "Tennessee Work-Share Act of 2014 (the Act)" to establish a program where the Commissioner of the Department of Labor and Workforce Development (DLWD), as administrator, grants approvals of work-sharing plans for qualified employers for the purpose of averting job layoffs. Defines multiple terms related to the Act, including "work-sharing plan", which means a plan submitted by an employer, for approval by the administrator, under which the employer requests the payment of work-sharing benefits to workers in an affected unit of the employer to avert layoffs. Establishes qualifying criteria for employers desiring to utilize a work-sharing plan. Requires the administrator to approve or disapprove of any work-sharing plan, and establishes other responsibilities for the administrator. Establishes guidelines, rules, and regulations for the administration of the Act and for any implemented work-sharing plan. Defines "work-sharing benefits" as unemployment benefits payable to employees in an affected unit under an approved work-sharing plan, as distinguished from the unemployment benefits otherwise payable under the Tennessee Unemployment Security Law.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures –
$1,517,500/FY14-15/General Fund
$732,600/FY15-16 and Subsequent Years/General Fund

IMPACT TO COMMERCE OF ORIGINAL BILL:

Increase Business Revenue – $1,272,800/FY14-15
$488,000/FY15-16 and Subsequent Years

Increase Business Expenditures – $636,400/FY14-15
$244,000/FY15-16 and Subsequent Years

Jobs Impact - The impact to Tennessee private sector jobs will be positive in the sense that jobs will be preserved as a result of the bill. The extent of Tennessee jobs that will be preserved is unknown.

Other Commerce Impact – Any additional impact to commerce is considered not significant because any net change in disposable income is assumed to occur whether under the provisions of the bill or in the absence of the bill.

SUMMARY OF AMENDMENT (015708): Deletes and rewrites bill such that the only substantive changes are: adds language that declares the Tennessee Work-Share Act of 2014 not apply to the extent that compliance with such provisions would violate federal law or cause the Department of Labor and Workforce Development to lose federal funding; adds language that authorizes the Commissioner to suspend this act in the event adequate funds are not available; changes the effective date from January 1, 2015, to July 1, 2016; and adds language stating the act will to cease to be effective on June 30, 2018.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Expenditures –
$265,200/FY16-17/General Fund
$262,600/FY17-18/General Fund

Other Fiscal Impact – The Department of Labor and Workforce Development has indicated that the federal government may reimburse some portion of the increased state expenditures occurring as a result of the bill as amended. Any such federal funding received by the Department is unknown and dependent upon the response and action taken by the federal government. However, it is assumed the estimated increase in state expenditures will have to first be funded from the state General Fund before any reimbursement from the federal government will occur.

Assumptions for the bill as amended:

- The effective date for implementation of this bill as amended is July 1, 2016. The bill shall cease to be effective on June 30, 2018.
- DLWD indicates that it will require additional appropriations to implement the provisions of this legislation. Therefore, it is assumed funding to implement the Act will be appropriated from the state General Fund.
- DLWD indicates the possibility of federal funding to reimburse the Department for some unknown portion of expenses associated with this bill as amended. However, such expenses are assumed to first be funded by appropriations from the General Fund before any federal reimbursement would occur.
- DLWD indicates the department will require three additional positions to implement the provisions of this bill as amended, consisting of one Attorney 2 position, and two Program Specialist 4 positions. The increase in state expenditures for the one Attorney 2 position is estimated to be $100,099 ($68,532 salary + $31,567 benefits). The increase in state expenditures for the two Program Specialist 4 positions is estimated to be $139,898 [($43,956 salary + $25,993 benefits) x 2 positions]. Additional state expenditures associated with the new positions is estimated to be $4,620 for phone

service, supplies, internet connectivity, etc. All state expenditures associated with the new positions are assumed to begin July 1, 2016. DLWD indicates an additional one-time expense of $2,586 for computers and supplies in FY16-17.

- Additional state expenditures for bulk mailing of notifications are estimated to be $18,000 per year.
- The total increase in state expenditures from the state General Fund for FY16-17 is estimated to be $265,203 ($100,099 + $139,898 + $4,620 + $2,586 + $18,000).
- The total increase in state expenditures from the state General Fund in FY17-18 is estimated to be $262,617 ($100,099 + $139,898 + $4,620 + $18,000).
- Given the act is to cease to exist on June 30, 2018; it is assumed DLWD will then eliminate the positions that are required to implement this legislation. As a result, expenditures that would otherwise be considered recurring state expenditures are assumed to occur only for a two-year period (FY16-17 and FY17-18).
- The net fiscal impact to the Unemployment Insurance Trust Fund (UITF) is dependent upon multiple unknown factors such as changes in economic cycles, the magnitude of any change in an economic cycle, the extent to which employers would implement job layoffs in the absence of this bill as amended, the timing of any such job layoffs, the extent to which employers will become participating employers in a work-sharing plan under this bill as amended, the percentages by which participating employers will reduce employee work hours, the number of employees that any reduced number of work hours will be apportioned among, the duration that any employee work hours are reduced, the extent of benefits paid under this bill as amended as work-sharing benefits relative to the extent of unemployment benefits that would be paid in the absence of the bill as amended.
- Given the extent of unknown factors, it is very difficult to determine a precise net impact to the UITF as a result of this bill as amended. However, based on information provided by DLWD, the net impact to the UITF is considered not significant. This estimate is based on the presumption that the total amount of funds that would be dispersed from the UITF as unemployment insurance benefits to any one former employee in the absence of the bill as amended will equal the total amount of funds that will be disbursed from the UITF as work-sharing benefits to an unknown number of employees working within an affected unit as defined.

IMPACT TO COMMERCE WITH PROPOSED AMENDMENT:

Increase Business Revenue – $18,000/Each Year FY16-17 and FY17-18

Increase Business Expenditures – $9,000/Each Year FY16-17 and FY17-18

Jobs Impact - The impact to Tennessee private sector jobs will be positive in the sense that jobs will be preserved for at least a two-year period as a result

of the bill as amended. The extent of Tennessee jobs that will be preserved is unknown.

Other Commerce Impact – Any additional impact to commerce is considered not significant because any net change in disposable income is assumed to occur whether under the provisions of the legislation or in the absence of the legislation.

Assumptions for the bill as amended:

- An increase in business revenue to vendors providing bulk postage notification mailings for DLWD estimated to be $18,000 each year FY16-17 and FY17-18.
- An increase in business expenditures to the vendors providing bulk postage notification mailings for the cost of goods and services sold estimated to be $9,000 each year FY16-17 and FY17-18 (or 50 percent of revenue).
- Any other impact to business revenue is considered not significant. This is based on the presumption that total disposable income (money available to be spent in the economy and subsequently recognized by businesses as revenue) remains unchanged under this bill as amended relative to what it would be under current law. To illustrate an example, if one person is laid off under current law, total disposable income is reduced by an amount equal to the amount of wages lost by the individual offset by any unemployment benefits received by the individual. Under this bill as amended, total disposable income will be reduced by an amount equal to the total amount of wages lost by an unknown number of employees working within the affected unit offset by any work-sharing benefits received by the unknown number of individuals working in the affected unit. The total reduction in disposable income will be the same under either scenario, either incurred by the one individual exclusively, or spread equally among all employees working in the affected unit as defined. Therefore, any reduction in disposable income will either be incurred by former employees that are laid off, or by the employees working within the affected units as a result of receiving reduced wages. Given that any reduction in disposable income will occur regardless of the outcome of this bill as amended, the net impact to business revenue is considered not significant.
- Any other impact to business expenditures is considered not significant. This is based on the presumption that an employer can choose to lay off workers in the absence of the bill as amended, which would save the employer a certain amount of wage expense, or the employer could become a participating employer under this bill as amended, and choose not to lay off any employees, but rather reduce each employee's weekly hours within the affected unit by an amount sufficient to reduce total wage expense by the same amount. Therefore, any net impact to business expenditures is considered not significant.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Lucian D. Geise, Executive Director

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